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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WASHINGTON

11)
12 UNITED STATES OF AMERICA,)
13)
14 Plaintiff,) Civil Action No.:
15)
16 v.)
17)
18 RICK T. GRAY and) COMPLAINT
19 GRAY FARMS & CATTLE CO. LLC.)
20)
21 Defendants) JURY TRIAL REQUESTED
22)
23)
24)
25)

UNITED STATES' COMPLAINT

1. The United States brings this action against Defendant RICK T. GRAY, individually, and a company he owned and/or controlled at all relevant times, Defendant GRAY FARMS & CATTLE CO. LLC, for treble damages and penalties pursuant to the False Claims Act, 31 U.S.C. §§ 3729-3733, for civil penalties pursuant to the Financial Institutions Reform and Recovery Enforcement Act (“FIRREA”) 12

1 U.S.C. §1833a, and for damages under the common law theories of unjust enrichment,
2 and payment by mistake. Defendants RICK T. GRAY and GRAY FARMS &
3 CATTLE CO. LLC, knowingly made and used false records and statements material
4 to the United States Department of Agriculture (USDA), and falsely and fraudulently
5 claimed losses to their wheat crops resulting in hundreds of thousands of dollars in
6 fraudulently-obtained crop insurance indemnity payments.

7 2. From at least April 30, 2015, through at least February 28, 2019,
8 Defendants RICK T. GRAY and GRAY FARMS & CATTLE CO. LLC, engaged in a
9 fraudulent scheme whereby, at least as to crop years 2015 and 2016, they knowingly
10 and repeatedly concealed harvested wheat production and sales of tens of thousands of
11 bushels of wheat, which they surreptitiously sold for hundreds of thousands of dollars
12 and then falsely and fraudulently concealed from the United States. By hiding insured
13 wheat, largely through hidden and undisclosed deliveries and sales, Defendants RICK
14 T. GRAY and GRAY FARMS & CATTLE CO. LLC, were able to manufacture the
15 appearance of, and falsely claim, substantial wheat crop losses in support of their false
16 and fraudulent insurance claims. Defendants RICK T. GRAY and GRAY FARMS &
17 CATTLE CO. LLC, falsely and fraudulently claimed, because of the supposed losses,
18 hundreds of thousands of dollars in crop insurance payments, which Defendant RICK
19 T. GRAY, and the entities he owned and controlled, including Defendant GRAY
20 FARMS & CATTLE CO. LLC, received, and which amounts were ultimately borne
21 by the USDA thereby causing hundreds of thousands of dollars in loss to the
22 taxpayers of the United States.

23 3. The Defendants' fraudulent scheme used the interstate wires and the
24 mails and affected a federally insured financial institutions, Columbia State Bank. As
25 part of their scheme to fraudulently obtain federally reinsured crop insurance
26 indemnity payments, the Defendants, using the interstate wires, attempted to
27 fraudulently prevent Columbia State Bank, a valid creditor of Defendant GRAY
28 FARMS & CATTLE CO., from obtaining any portion of a specific crop insurance
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1 indemnity payment as obligated. In addition, once the Defendants' fraudulent scheme
2 was detected, one of the entities owned and controlled by Defendant RICK T. GRAY,
3 Gray Land and Livestock LLC, filed for bankruptcy, thereby affecting a federally
4 insured financial institution, Columbia State Bank, who had extended millions of
5 dollars in credit to Defendant RICK T. GRAY's company Gray Land & Livestock
6 LLC and was left with over \$3.5 million in bankruptcy claims against that company
7 rather than full and timely payments.

8 **I. JURISDICTION AND VENUE**

9 4. This action arises under the False Claims Act, 31 U.S.C. §§ 3729 -3733,
10 FIRREA, 12 U.S.C. § 1833a, and common law. This Court has subject matter
11 jurisdiction pursuant to 31 U.S.C. § 3732(a) and 28 U.S.C. §§ 1331, 1345 and 1335.
12 The Court may exercise personal jurisdiction over the Defendants RICK T. GRAY
13 and GRAY FARMS & CATTLE CO. LLC, because they reside and transact business
14 in this District, and because they committed proscribed acts in this District.

15 5. Venue lies in this District pursuant to 31 U.S.C. § 3732(a) and 28 U.S.C.
16 § 1391(b) and (c), as the place where Defendants RICK T. GRAY and GRAY
17 FARMS & CATTLE CO. LLC, reside and where a substantial part of the events or
18 omissions giving rise to the claims occurred.

19 **II. PARTIES**

20 6. Plaintiff in this action is the United States of America.

21 7. The United States Department of Agriculture (USDA) is a cabinet-level
22 executive agency of the United States whose mission includes focusing on farm
23 production and conservation by implementing programs designed to mitigate the
24 significant risks of farming through crop insurance services, conservation programs,
25 and technical assistance, to the nation's farmers and ranchers. As part of its statutory
26 responsibilities, USDA is responsible for the federal crop insurance program which it
27 administers through the Federal Crop Insurance Corporation (FCIC), a wholly owned
28 government corporation managed by USDA's Risk Management Agency (RMA).

1 Congress first authorized federal crop insurance in the 1930s along with other
2 initiatives to help agriculture recover from the combined effects of the Great
3 Depression and the Dust Bowl.

4 8. In 1938, Congress created the FCIC to carry out the program. Through
5 the federal crop insurance program, approved insurance providers sell and service
6 federal crop insurance products to America's farmers and ranchers. The USDA RMA,
7 through the FCIC, reinsurance, through standard reinsurance agreements, the loss
8 indemnities paid by approved insurance providers to their insureds on qualifying crop
9 insurance policies.

10 9. At all times relevant to this Complaint, the USDA RMA had a standard
11 reinsurance agreement with Rural Community Insurance Company, also known as
12 Rural Community Insurance Services, (herein "RCIS"), the crop insurer for the
13 entities Defendant RICK T. GRAY owned and controlled, including Defendant
14 GRAY FARMS & CATTLE CO. LLC, between 2013 and 2016.

15 10. At all times relevant to this Complaint, Defendant RICK T. GRAY was a
16 resident of the Eastern District of Washington with wheat farming operations in
17 Klickitat County, Washington, located in the Eastern District of Washington. At all
18 times relevant Defendant RICK T. GRAY, through various entities he owned and/or
19 controlled, including Defendant GRAY FARMS & CATTLE CO., sought, and
20 received federally reinsured crop insurance for his wheat farming operations through
21 crop insurer RCIS. According to USDA's Farm Services Agency's records in 2014,
22 2015, and 2016 Defendant RICK T. GRAY, through various entities he owned or
23 controlled, including Defendant GRAY FARMS & CATTLE CO., LLC, held the
24 largest amount of insured wheat acreage in Klickitat County, Washington, a county
25 that averaged close to 100 wheat farms in each of those years. Defendant RICK T.
26 GRAY is the owner, operator, and sole governor of Gray Land and Livestock LLC
27 (herein sometimes referred to as "Gray Land").

1 11. Defendant GRAY FARMS & CATTLE CO. LLC, is a limited liability
2 company incorporated in Washington State. At all times relevant to this Complaint
3 Defendant GRAY FARMS & CATTLE CO. LLC had its principal place of business
4 and conducted its farming operations in the Eastern District of Washington. At times
5 relevant to this Complaint Defendant RICK T. GRAY was the manager of Defendant
6 GRAY FARMS & CATTLE CO., LLC, (herein sometimes referred to as “Defendant
7 GRAY FARMS”) a company owned at relevant times by his father. At times relevant
8 to this Complaint, including during crop years 2015 and 2016, Defendant RICK T.
9 GRAY also had power of attorney for his father, the former owner of Defendant
10 GRAY FARMS, and could sign legal documents, including those related to federally
11 reinsured crop insurance policies and loss claims, on his father’s behalf. Currently,
12 Defendant RICK T. GRAY is the owner, operator, and sole governor of Defendant
13 GRAY FARMS.

14 **III. RELEVANT STATUTORY AND REGULATORY BACKGROUND**

15 **The False Claims Act**

16 12. Originally enacted in the 1860s to combat rampant fraud against the
17 Union Army during the Civil War, the False Claims Act, 31 U.S.C. §§ 3729-3733, is
18 the primary tool with which the United States combats false claims and fraud against
19 the Government and protects the federal fisc. *U.S. ex rel. Newsham v. Lockheed*
20 *Missiles and Space Co., Inc.*, 722 F.Supp. 607, 608 (N.D. Cal. 1989) (quoting 36 R.
21 Tomes, The Fortunes of War, Harper’s New Monthly Magazine 228 (July 1864) (“For
22 sugar [the government] often got sand; for coffee, rye; for leather, something no better
23 than brown paper; for sound horses and mules, spavined beasts and dying donkeys;
24 and for serviceable muskets and pistols the experimental failures of sanguine
25 inventors, or the refuse of shops and foreign armories.”). The Supreme Court has held
26 that the False Claims Act’s provisions must be construed broadly to reach “all types of
27

1 fraud, without qualification, that might result in financial loss to the Government.”

2 *United States v. Neifert-White*, 390 U.S. 228, 232, 88 S.Ct. 959 (1968).

3 13. The False Claims Act provides, in pertinent part, that any person who:

4 (A) knowingly presents, or causes to be presented, a false or fraudulent claim
5 for payment or approval; [or]

6 (B) knowingly makes, uses, or causes to be made or used, a false record or
7 statement material to a false or fraudulent claim . . .

8 is liable to the United States Government [for statutory damages and such
9 penalties as are allowed by law].

10 31 U.S.C. § 3729(a)(1)-(2) (2006), as amended by 31 U.S.C. § 3729(a)(1)(A)-(B)
11 (2010).

12 14. The False Claims Act defines “knowingly” as follows:

13 (1) the terms knowing and knowingly –

14 (A) mean that a person, with respect to information –

15 (i) has actual knowledge of the information;

16 (ii) acts in deliberate ignorance of the truth or falsity of the
17 information; or

18 (iii) acts in reckless disregard of the truth or falsity of the
19 information; and

20 (B) require no proof of specific intent to defraud[.]

21 31 U.S.C. § 3729(b) (2006), as amended by 31 U.S.C. § 3729(b)(1) (2010).

22 15. The False Claims Act provides that a person is liable to the United States
23 Government for three times the amount of damages that the Government sustains
24 because of the act of that person, plus additional civil penalties for each violation. 31
25 U.S.C. § 3729(a)(1).

1 **The Financial Institutions Reform and Recovery Enforcement Act**
2 **(FIRREA)**

3 16. The Financial Institutions Reform, Recovery and Enforcement Act, 12
4 U.S.C. § 1833a (“FIRREA”), was enacted by Congress as part of a comprehensive
5 legislative plan to reform and strengthen the banking system and certain federal
6 programs. Toward that end, FIRREA authorizes civil enforcement for violations of
7 enumerated predicate federal criminal offenses, including making false statements or
8 reports for the purpose of influencing, in any way, the Federal Crop Insurance
9 Corporation or a company it reinsures, in violation of 18 U.S.C. § 1014, and Bank
10 Fraud in violation of 18 U.S.C. § 1344. 12 U.S.C. § 1833a(c)(1).

11 17. One of FIRREA’s stated purposes is to provide “enhanced enforcement
12 powers and increase criminal and civil money penalties for crimes of fraud against
13 federal institutions and depositors.” H.R. Rep. 101-54(I), 101st Cong., 1st Sess. 1989
14 at 18; *reprinted at* 1989 U.S.C.C.A.N. 86 at 118.

15 18. In addition to authorizing the Attorney General to recover civil penalties
16 from whomever violates certain predicate offenses, such at 18 U.S.C. § 1014 and 18
17 U.S.C. § 1344, FIRREA also authorizes the Attorney General to seek civil penalties
18 for violations of Mail Fraud and Wire Fraud, 18 U.S.C. §§ 1341, 1343, “affecting a
19 federally insured financial institution.” 12 U.S.C. § 1833(a)(c)(2).

20 19. For purposes of the violations for which FIRREA civil penalties may be
21 sought: (a) the term “financial institution” includes federally insured financial
22 institutions, as well as branches and agencies of foreign banks; and (b) the term
23 “federally insured financial institution” includes banks whose deposits are insured by
24 the Federal Deposit Insurance Corporation and credit unions whose accounts are
25 insured by the National Credit Union Share Insurance Fund. 18 U.S.C. § 20(1), (2) &
26 (9). As used herein, these terms shall have the meaning attributed to them for
27 purposes of FIRREA, as set forth above.

1 20. FIRREA's penalty provisions provide that, depending on the timing of
2 the violation and the assessment thereof, the United States may recover civil money
3 penalties of up to either \$1,100,000 or \$2,048,915 per violation, or for a continuing
4 violation, up to \$1,100,000 per day or \$5,500,000, whichever is less, or up to
5 \$2,048,915 per day or \$10,244,577, whichever is less. *See* 12 U.S.C. §§ 1833a(b)(1),
6 (2); 28 C.F.R. § 85.3 and § 85.5. The statute further provides that the penalty can
7 exceed these limits to permit the United States to recover the amount of any gain to
8 the person committing the violation, or the amount of the loss to a person other than
9 the violator stemming from such conduct, up to the amount of the gain or loss. *See* 12
10 U.S.C. § 1833a(b)(3).

11 **III. BACKGROUND**

12 **FCIC-Backed Multi-Peril Crop Insurance (MPCI)**

13 21. One of the most common insurance products offered to farmers by FCIC-
14 approved insurance providers is Multi-Peril Crop Insurance (MPCI). MPCI policies
15 offer protection for the insured crop (also referred to as "production") against
16 numerous causes of loss including drought, excessive moisture, hail, frost, wind,
17 insects, and disease.

18 22. In order to obtain MPCI coverage, an applicant must complete and sign a
19 MPCI application and submit it to their insurance company by the applicable sales
20 closing date. The application must contain all required information including, but not
21 limited to the selection of the applicable options and endorsements, state, county,
22 crop, level of coverage, percent of the projected price and plan of insurance. The
23 applicant must certify that all entries made on the application are true and complete.
24 The application is subject to acceptance by the insurance company based on the
25 representations made by the applicant. In return for payment of the premium and
26 subject to all the provisions in the policy and endorsements, the insurance company
27 agrees to provide crop insurance coverage and issues an MPCI policy to the insured.

1 The MPCI policy is a continuous policy and will remain in effect until cancelled in
2 writing.

3 23. Under an MPCI policy, each year the insured must certify on an Acreage
4 Report the location, date of planting, number of acres planted, and the insured's
5 interest or share in the insured crop. The insured must sign the Acreage Report
6 certifying that all the information is entirely accurate and submits it to the insurance
7 company. This acreage report data is used to calculate the amount of insurance
8 coverage (often referred to as "the guarantee"), what precisely is being insured, and
9 the premium that is due and payable. The Acreage Report requires the insured to
10 disclose all acreage of an insured crop, whether insurable or not insurable. The
11 Acreage Report must be signed by the insured certifying that the information thereon
12 is correct and accurate to the best of the insured's knowledge and belief. The Acreage
13 Report certification by the insured includes an acknowledgement by the insured that
14 failure to report completely and accurately may result in various sanctions including
15 criminal and civil penalties under a number of applicable federal statutes. The
16 explicitly listed federal statutes on the Acreage Report certification include the False
17 Claims Act and 18 U.S.C. § 1014.

18 24. Revenue Protection (RP) policies are a type of MPCI policies that insure
19 producers against yield losses due to natural causes such as drought, excessive
20 moisture, hail, wind, frost, insects, and disease, and revenue losses caused by a change
21 in the harvest price from the projected price. The insured farmer, known as the
22 producer, selects the amount of average yield he or she wishes to insure; from 50-75
23 percent (in some areas up to 85 percent). The projected price and the harvest price are
24 100 percent of the amounts determined in accordance with the Commodity Exchange
25 Price Provisions and are based on daily settlement prices for certain futures contracts.
26 The amount of insurance protection is based on the greater of the projected price or
27 the harvest price. If the harvested production, plus any appraised or stored production,

multiplied by the harvest price is less than the amount of insurance protection, the producer is paid an indemnity based on the difference.

25. When a properly insured crop is damaged by an insurable cause of loss covered by the insured farmer's MPCI policy, the insured farmer files a Notice of Loss which is transmitted to the insurance company. Upon receipt of the Notice of Loss, the insurance company assigns a loss adjuster to inspect the crop and determine the amount of loss. To receive an indemnity payment the insured farmer is obligated, under the terms of the crop insurance policy, to disclose both insured and uninsured crop including crops planted or harvested that year and stored production from previous years.

26. Specifically, as applicable to the MPCI policies held by Gray Farms and Gray Land specified herein, Section 14 of the Common Crop Insurance Policy (Basic Provision), captioned "Duties in the Event of Damage, Loss, Abandonment, Destruction, or Alternative Use of Crop or Acreage," provides in part, at section 14(e)(4), that in order for an insured farmer to receive any indemnity the insured farmer must provide "A complete harvesting, production, and marketing record of each insured crop by unit including separate records showing same information for production from any acreage not insured." That section, at 14(e)(5), goes on to state that "Failure to comply with any requirement contained in section 14(e)(4) will result in denial of the claim. . . ."

27. Consequently, as part of the loss adjustment process on an MPCI policy after a Notice of Loss has been filed by the insured , the insured is required to provide the loss adjuster with settlement sheets from the grain elevators where any production is sold during the applicable crop year, whether that production was insured or not. Settlement sheets show the amount of production sold, the interest in the crop and the price paid to the insured. The loss adjuster will also gather load tickets used by the insured to show the originating location of the production, the amount of the production, and the identification of the owner of the production. If the production,

1 whether insured or not, is stored on the farm, the loss adjuster will perform bin
2 measurements to determine how much grain is in the bin. If the production has not
3 been harvested, the loss adjuster will perform field appraisals to determine the amount
4 of crop produced in the field.

5 28. After the filing of a Notice of Loss, and based on the information
6 provided by the insured thereafter, the insurance loss adjuster completes a Production
7 Worksheet which functions as the insurance claim form which applies for and requests
8 payment of a loss indemnity. In order to be eligible for any loss indemnity payment,
9 the insured must sign the Production Worksheet certifying that all the information
10 thereon is true and complete, including but not limited to, the insured's interest or
11 share percentage in the insured crop, the cause of loss, and the amount of harvested
12 and appraised and stored production. The certification statement on the Production
13 Worksheet signed by the insured states:

14 I certify that the information provided above, to the best of my knowledge, to
15 be true and complete and that it will be used to determine my loss, if any, to my
16 insured crops. I understand that this Production Worksheet and supporting
17 papers are subject to audit and approval by the company. I also understand that
18 this crop insurance is subsidized and reinsured by the Federal Crop Insurance
19 Corporation, an agency of the United States. False claims or false statements
20 made on a matter within the jurisdiction of the Federal Crop Insurance
Corporation may subject the maker to criminal and civil penalties under various
Federal statutes including the provisions of 18 U.S.C. §1006, §1014; 7 U.S.C.
§1506; 31 U.S.C. §3729, §3730, §3801, §3812.

21 This is the certification statement that Defendant RICK T. GRAY signed on each of
22 the specific production worksheets referenced herein at, *inter alia*, paragraphs 74, 75,
23 77, 78, and 84, *infra*.

24 29. After the Production Worksheet is completed and signed by the loss
adjuster and the insured certifying that the insurance claim is correct, it is sent to the
crop insurance company to calculate the amount of loss and the resulting amount of
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1 indemnity. Through this process, the insurance company then pays an indemnity to
2 the insured for the loss on the insured crop.

3 30. The USDA RMA has standard reinsurance agreements with Approved
4 Insurance Providers (AIPs) that obligate the USDA as a reinsurer to the AIPs when
5 those providers issue federal crop insurance policies to insured entities. One of the
6 reinsurance agreement's core financial principles is stop-loss. A stop-loss means once
7 certain contractual thresholds are met, all losses beyond that threshold are the
8 financial responsibility of the FCIC.

9 31. Once an AIP transmits the policy and ostensibly qualifying claim data to
10 the FCIC for a loss indemnity for a specific policy on a specific crop year, the FCIC
11 promptly (within 3 business days) funds the full requested indemnity amount via an
12 escrow account, which allows for proper cash flow, so producers are paid losses
13 quickly. The AIP, in turn, pays the producer the ostensibly legitimate and valid loss
14 indemnity amount. In addition, at monthly intervals, the FCIC and AIPs settle up by
15 transferring any net amount owed figuring premium owed (including FCIC paid
16 premium subsidies), indemnities paid, and escrow paid per the reinsurance agreement.
17 Further, on an annual basis, a full settlement is completed between the FCIC and its
18 AIPs that also incorporates administration and operating expense subsidies.

19
20 **V. DEFENDANTS' FRAUDULENT SCHEME TO HIDE WHEAT
21 PRODUCTION AND MAKE FALSE AND FRAUDULENT CROP
INSURANCE CLAIMS**

22 32. On or about June 30, 2009, Defendant GRAY FARMS & CATTLE CO.
23 LLC., obtained a federally reinsured MPCI policy (MPCl Policy #46-951-989150) for
24 its wheat farming operations in Klickitat County, Washington, from Rural Community
25 Insurance Company, also known as Rural Community Insurance Services, (herein
26 "RCIS") an FCIC-approved insurance provider.

1 33. On or about January 30, 2012, Defendant RICK T. GRAY, on behalf of
 2 his company Gray Land and Livestock, LLC, obtained a federally reinsured MPCI
 3 policy (MPCI Policy #46-951-136889) for Gray Lands' wheat farming operations in
 4 Klickitat County, Washington, from RCIS, an FCIC approved insurance provider.

5 **Crop Year 2013**

6 34. For crop year 2013, Defendant RICK T. GRAY, on behalf of both
 7 Defendant GRAY FARMS & CATTLE CO. LLC, and Gray Land and Livestock
 8 LLC, made crop insurance loss claims on MPCI Policy #46-951-989150 and MPCI
 9 Policy #46-951-136889, respectively.

10 35. As to each of those alleged losses Defendant RICK T. GRAY claimed
 11 that the wheat production for each of the insureds, Gray Land and Defendant GRAY
 12 FARMS, was deficient and claimed that all wheat production for both Gray Land and
 13 Defendant GRAY FARMS had been sold and delivered to Horse Heaven Grain LLC
 14 (herein sometimes referred to as "Horse Heaven Grain"), other than a small additional
 15 amount in a pup trailer. As part of the loss adjustment process on both MPCI policies
 16 for crop year 2013, Defendant RICK T. GRAY represented that there was no
 17 additional farm stored or home stored wheat production, and that there had been no
 18 sales other than to Horse Heaven Grain.

19 36. As a result of the representation of Defendant RICK T. GRAY on behalf
 20 of Defendant GRAY FARMS & CATTLE CO. LLC, and Gray Land and Livestock
 21 LLC, during the loss claim process on their respective MPCI policies for crop year
 22 2013, RCIS paid \$48,021.00 in indemnity to Defendant GRAY FARMS and
 23 \$252,360.00 in indemnity to Gray Land. Those amounts were paid to RCIS by the
 24 FCIC as reinsurance per the standard reinsurance agreement between RCIS and
 25 USDA RMA.

26 **Crop Year 2014**

27 37. For crop year 2014, Defendant RICK T. GRAY, on behalf of both
 28 Defendant GRAY FARMS & CATTLE CO. LLC, and Gray Land and Livestock
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1 LLC, made crop insurance loss claims on MPCI Policy #46-951-989150 and MPCI
2 Policy #46-951-136889, respectively.
3

4 38. As to each of those alleged losses Defendant RICK T. GRAY claimed
5 that the wheat production for each of the insureds, Gray Land and Defendant GRAY
6 FARMS, was deficient and claimed that all wheat production for both Gray Land and
7 Defendant GRAY FARMS had been sold and delivered to Horse Heaven Grain. As
8 part of the loss adjustment process on both MPCI policies for crop year 2014,
9 Defendant RICK T. GRAY represented that there was no additional farm stored or
10 home stored wheat production, and that there had been no sales other than to Horse
Heaven Grain.

11 39. As a result of the representation of Defendant RICK T. GRAY on behalf
12 of Defendant GRAY FARMS & CATTLE CO. LLC and Gray Land and Livestock
13 LLC, during the loss claim process on their respective MPCI policies for crop year
14 2014, RCIS paid \$295,399.00 in indemnity to Defendant GRAY FARMS and
15 \$434,354.00 in indemnity to Gray Land. Those amounts were paid to RCIS as
16 reinsurance by the FCIC per the standard reinsurance agreement between RCIS and
17 USDA RMA.

18 **Crop Year 2015**

19 40. By on or about the acreage reporting date for crop year 2015, July 15,
20 2015, Defendant RICK T. GRAY and Defendant GRAY FARMS & CATTLE CO.
21 LLC, submitted a signed Acreage Report to RCIS under MPCI Policy #46-951-
22 989150 obtaining coverage for Defendant GRAY FARMS' wheat production for crop
23 year 2015. In that Acreage Report Defendant RICK T. GRAY certified to RCIS that
24 all wheat to be harvested by Defendant GRAY FARMS in 2015 would be insured and
25 that there was to be no uninsured 2015 wheat production. The data contained in that
26 Acreage Report was submitted to RCIS through the interstate wires from the Eastern
27 District of Washington.

1 41. On or about March 9, 2015, Defendant RICK T. GRAY and Defendant
2 GRAY FARMS & CATTLE CO. LLC transferred all rights to any indemnity under
3 MPCI Policy #46-951-989150 for crop year 2015 from Defendant GRAY FARMS to
4 its creditor Columbia State Bank, an FDIC insured financial institution, through a
5 RCIS Assignment of Indemnity Application.

6 42. On or about April 30, 2015, Defendant RICK T. GRAY, acting on behalf
7 of Gray Land and Livestock LLC, submitted a signed Acreage Report to RCIS under
8 MPCI Policy #46-951-136889 obtaining coverage for Gray Lands' wheat production
9 for crop year 2015. In that Acreage Report Defendant RICK T. GRAY certified to
10 RCIS that all wheat to be harvested by Gray Land in 2015 would be insured and that
11 there was to be no uninsured 2015 wheat production. The data contained in that
12 Acreage Report was submitted to RCIS through the interstate wires from the Eastern
13 District of Washington.

14 43. On or about July 21, 2015, Defendant RICK T. GRAY, on behalf of Gray
15 Land, caused a Notice of Loss on crop year 2015 under MPCI Policy #46-951-136889
16 to be submitted to RCIS. The data contained in that Notice of Loss was transmitted to
17 RCIS through the interstate wires from the Eastern District of Washington.

18 44. Also on or about July 21, 2015, Defendant RICK T. GRAY and
19 Defendant GRAY FARMS caused a Notice of Loss for crop year 2015 under MPCI
20 Policy #46-951-989150 to be submitted to RCIS. The data contained in that Notice of
21 Loss was transmitted to RCIS through the interstate wires from the Eastern District of
22 Washington.

23 45. On or about September 21, 2015, notwithstanding the previous transfer of
24 all rights to any indemnity under MPCI Policy #46-951-989150 for crop year 2015,
25 made on or about March 9, 2015, from Defendant GRAY FARMS to its creditor
26 Columbia State Bank, Defendant RICK T. GRAY and Defendant GRAY FARMS
27 fraudulently attempted to transferred all rights to any indemnity under MPCI Policy
28 #46-951-989150 for crop year 2015 from Defendant GRAY FARMS, to Defendant
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RICK T. GRAY's company Gray Land & Livestock LLC, through an RCIS Transfer of Coverage and Right to an Indemnity form which Defendant RICK T. GRAY caused to be falsely and fraudulently backdated to January 1, 2015, a date prior to the previous transfer to Columbia State Bank. The falsity of the back dated date of the purported transfer of indemnity rights to Defendant GRAY FARMS to a date prior to the valid transfer date of March 9, 2015, was material to RCIS and Columbia State Bank as it had the natural tendency to, and was capable of, influencing RCIS regarding the payment of all or part of any indemnity under MPCI Policy # 46-951-989150 for crop year 2015 to Columbia State Bank in satisfaction, in whole or partial, of the valid and lawful debt owed it by Defendant GRAY FARMS.

46. Defendant RICK T. GRAY's and Defendant GRAY FARMS' falsely and fraudulently backdated RCIS Transfer of Coverage and Right to an Indemnity form dated September 21, 2015, was the Defendants' attempt to fraudulently prevent Columbia State Bank from lawfully collecting a debt owed to it by Defendant GRAY FARMS.

47. The data from Defendant RICK T. GRAY's and Defendant GRAY FARMS' fraudulently backdated RCIS Transfer of Coverage and Right to an Indemnity form was transmitted to RCIS through the interstate wires from the Eastern District of Washington.

48. On or about September 30, 2015, as part of the loss adjustment process under MPCI Policy #46-951-989150 for crop year 2015, for Defendant GRAY FARMS, Defendant RICK T. GRAY and Defendant GRAY FARMS falsely and fraudulently represented and certified to RCIS, on a production worksheet, that all insured wheat harvested in 2015 for Defendant GRAY FARMS had been sold to Horse Heaven Grain LLC. The data contained in that production worksheet was transmitted to RCIS through the interstate wires from the Eastern District of Washington.

1 49. Also, on or about September 30, 2015, as part of the loss adjustment
2 process under MPCI Policy #46-951-136889, crop year 2015, for Gray Land and
3 Livestock LLC, Defendant RICK T. GRAY falsely and fraudulently represented and
4 certified to RCIS, on a production worksheet, that all insured wheat harvested in 2015
5 for Gray Land was sold to Horse Heaven Grain LLC. The data contained in that
6 production worksheet was transmitted to RCIS through the interstate wires from the
7 Eastern District of Washington.

8 50. In fact, in 2015 Defendant RICK T. GRAY and/or Defendant GRAY
9 FARMS & CATTLE CO. LLC, sold and delivered over 35,000 bushels of hidden and
10 undisclosed wheat to multiple granaries, other than Horse Heaven Grain, for a total of
11 at least \$184,744.71 in hidden and undisclosed production and sales. During that
12 same time period Defendant RICK T. GRAY's and Defendant GRAY FARMS &
13 CATTLE CO. LLC's disclosed wheat sales and deliveries to Horse Heaven Grain
14 were for 21,411.32 bushels of wheat for approximately \$130,000, almost all of which
15 went to creditors of Gray Land and Defendant GRAY FARMS.

16 51. Defendant RICK T. GRAY's and Defendant GRAY FARMS' hidden and
17 undisclosed wheat deliveries and sales included deliveries and sales to Tri Cities
18 Granary LLC between approximately July 23 and August 10, 2015, on at least 12
19 separate occasions. During that time Defendant RICK T. GRAY and Defendant
20 GRAY FARMS delivered and sold over 19,000 bushels of wheat produced by
21 Defendant GRAY FARMS and/or Gray Land to Tri Cities Granary LLC. Further,
22 Defendant RICK T. GRAY and Defendant GRAY FARMS & CATTLE CO. LLC
23 delivered, and sold more than 4,300 additional bushels of wheat produced by
24 Defendant GRAY FARMS and/or Gray Land to Tri Cities Granary LLC, on at least
25 three additional separate occasions, between approximately November 20 and
26 November 23, 2015. In 2015 Defendant RICK T. GRAY and Defendant GRAY
27 FARMS & CATTLE CO. LLC sold and delivered hidden and undisclosed wheat,
28 produced by Defendant GRAY FARMS and/or Gray Land, to Tri Cities Granary LLC
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under the following names: "Gray Farms, Rick T" and "Rick T. Gray". As a result, Tri Cities Granary LLC paid a total of \$142,374.99 to Defendant RICK T. GRAY and/or Defendant GRAY FARMS for the crop year 2015 hidden and undisclosed wheat.

52. Defendant RICK T. GRAY's and Defendant GRAY FAMRS' hidden and
undisclosed wheat sales also included deliveries and sales to AgriNorthwest on or
about July 15, 2015 and again on or about July 17, 2015. On or about those dates,
Defendant RICK T. GRAY and Defendant GRAY FARMS delivered and sold over
2,800 bushels of wheat produced by Defendant GRAY FARMS and/or Gray Land to
AgriNorthwest under Defendant GRAY FARMS' name. As a result, AgriNorthwest
paid a total of \$16,766.29 to Defendant RICK T. GRAY and/or Defendant GRAY
FARMS for the crop year 2015 hidden and undisclosed wheat.

53. Defendant RICK T. GRAY's and Defendant GRAY FARMS' hidden and
undisclosed wheat sales also included deliveries and sales to Mid Columbia Producers
Inc. between approximately August 11 and August 31, 2015, on at least six separate
occasions. On or between those dates, Defendant RICK T. GRAY and Defendant
GRAY FARMS delivered and sold over 9,200 bushels of wheat produced by
Defendant GRAY FARMS and/or Gray Land to Mid Columbia Producers Inc. under
"Rick T. Gray, Gray Farms & Cattle Company". As a result, Mid Columbia
Producers Inc. paid a total of \$25,603.43 to "Rick T. Gray and Columbia State Bank
Gray Farms and Cattle Company" for the crop year 2015 hidden and undisclosed
wheat.

54. Defendant RICK T. GRAY and Defendant GRAY FARMS did not
disclose the existence of any of this production, or any of these deliveries or sales, or
of any uninsured wheat that might explain the undisclosed production, deliveries, and
sales, during the loss adjustment process, on production worksheets or otherwise, to
RCIS as required by the terms of MPCI Policy #46-951-989150 (Defendant GRAY
FARMS' policy) and MPCI Policy #46-951-136889 (Gray Land's policy). Instead,
UNITED STATES' COMPLAINT - 18

1 Defendant RICK T. GRAY and Defendant GRAY FARMS knowingly and
2 fraudulently concealed and materially omitted the majority of the wheat production of
3 Gray Land and Defendant GRAY FARMS, over 35,000 bushels of wheat, that
4 Defendant RICK T. GRAY and/or Defendant GRAY FARMS sold to Tri Cities
5 Granary LLC, AgriNorthwest, and Mid Columbia Producers Inc. Defendant RICK T.
6 GRAY and Defendant GRAY FARMS did this in order to fraudulently claim
7 insurance payments to which they were not entitled, by fraudulently and falsely
8 claiming losses to wheat crops that did not occur, and by falsely and fraudulently
9 understating the production of Defendant GRAY FARMS and Defendant RICK T.
10 GRAY's company Gray Land for crop year 2015.

11 55. Had Defendant RICK T. GRAY's and Defendant GRAY FARMS'
12 hidden and undisclosed wheat sales and deliveries been known during the loss
13 adjustment process on MPCI Policy #46-951-989150, Defendant GRAY FARMS
14 would not have been eligible for any indemnity loss payment for crop year 2015.

15 56. As a result of Defendant RICK T. GRAY's and Defendant GRAY
16 FARMS' knowing and materially false and fraudulent statements and omissions,
17 RCIS paid loss indemnity in the amount of \$122,272, on MPCI Policy #46-951-
18 989150 for crop year 2015, directly to Defendant RICK T. GRAY's company, Gray
19 Land and Livestock LLC, through the United States Postal Service or through private
20 or commercial interstate carrier to the Eastern District of Washington. This amount
21 was not paid to the insured entity, Defendant GRAY FARMS, based on Defendant
22 RICK T. Gray's and Defendant GRAY FARMS' previous fraudulent transfer of
23 indemnity rights from Defendant GRAY FARMS to Gray Land detailed at paragraphs
24 45-47, *supra*. The loss indemnity amount was applied in part to the unpaid premium
25 amounts on MPCI Policy #46-951-989150 then owed. RCIS would not have paid any
26 indemnity on MPCI Policy #46-951-989150 for crop year 2015 had it known that in
27 fact Defendant RICK T. GRAY and Defendant GRAY FARMS had delivered and
28

1 sold hidden and undisclosed wheat production, including over 35,000 bushels of
2 wheat totaling at least \$184,744.71 in sales revenue.
3

4 57. As a result of Defendant RICK T. GRAY's and Defendant GRAY
5 FARMS' false and fraudulent statements and omissions, on October 2, 2015, RCIS,
6 pursuant to its Standard Reinsurance Agreement with RMA, submitted, through the
7 interstate wires, a false and fraudulent claim for payment to the USDA for reinsurance
8 of the indemnity RCIS paid for crop year 2015 on MPCI Policy #46-951-989150, less
9 any amount of premium still owed, in the amount of \$94,353.00. On October 2, 2015,
10 the USDA, through the FCIC, as administered by RMA, paid \$94,353.00 in
11 reinsurance to RCIS through the interstate wires on that claim for reinsurance for
12 MPCI Policy #46-951-989150, crop year 2015. Had the USDA known that RCIS's
13 claim for reinsurance was based on the materially false and fraudulent statements and
14 omissions of Defendant RICK T. GRAY and Defendant GRAY FARMS it would not
have paid RCIS's resulting claim for reinsurance.

15 58. Similarly, had the Defendants' hidden and undisclosed wheat sales and
16 deliveries been known during the loss adjustment process on MPCI Policy #46-951-
17 136889, Gray Land and Livestock LLC, would not have been eligible for any
18 indemnity loss payment for crop year 2015.

19 59. As a result of Defendant RICK T. GRAY's false and fraudulent
20 statements and omissions, RCIS paid loss indemnity in the amount of \$417,756 on
21 MPCI Policy #46-951-136889 directly to Defendant RICK T. GRAY's company,
22 Gray Land and Livestock LLC, through the United States Postal Service or private or
23 commercial interstate carrier to the Eastern District of Washington. The loss
24 indemnity amount was applied in part to the unpaid premium amounts on MPCI
25 Policy #46-951-136889 then owed. RCIS would not have paid any indemnity on
26 MPCI Policy #46-951-136889 for crop year 2015 had it known that in fact Defendant
27 RICK T. GRAY and Defendant GRAY FARMS had delivered and sold hidden and
28

1 undisclosed wheat production, including over 35,000 bushels of wheat totaling at least
2 \$184,744.71 in sales revenue.

3 60. As a result of Defendant RICK T. GRAY's false and fraudulent
4 statements and omissions, on October 8, 2015, RCIS, pursuant to its Standard
5 Reinsurance Agreement with RMA, submitted, through the interstate wires, a false
6 and fraudulent claim for payment to the USDA for reinsurance of the indemnity RCIS
7 paid for crop year 2015 on MPCI Policy #46-951-136889, less any amount of
8 premium still owed, in the amount of \$384,453.00 through the interstate wires. On
9 October 8, 2015, the USDA through the FCIC, as administered by RMA, paid
10 \$384,453.00 in reinsurance to RCIS on that claim for reinsurance for MPCI Policy
11 #46-951-136889, crop year 2015, through the interstate wires. Had the USDA known
12 that RCIS's claim for reinsurance was based on the materially false and fraudulent
13 statements and omissions of Defendant RICK T. GRAY, it would not have paid
14 RCIS's resulting claim for reinsurance.

15 61. All totaled for crop year 2015, Defendant RICK T. GRAY and Defendant
16 GRAY FARMS & CATTLE CO. LLC defrauded RCIS out of a total of at least
17 \$540,028 in crop insurance indemnity payments for crop year 2015 (\$478,806 of
18 which was paid through indemnity checks and \$61,222 of which was applied to
19 unpaid premium amounts then owing), all of which was borne by the USDA through
20 its reinsurance agreement with RCIS.

21 **Crop Year 2016**

22 62. On or about September 30, 2015, Defendant RICK T. GRAY and
23 Defendant GRAY FARMS, canceled MPCI Policy No. 46-951-989150 in writing.

24 63. Based on data submitted by Defendant GRAY FARMS to the USDA
25 Farm Services Administration, Defendant GRAY FARMS had no wheat farming
26 operations in Klickitat County, Washington in crop year 2016.

27 64. By on or about the acreage reporting date for crop year 2016, July 15,
28 2016, Defendant RICK T. GRAY, acting on behalf of Gray Land and Livestock LLC,
UNITED STATES' COMPLAINT - 21

1 submitted a signed Acreage Report to RCIS under MPCI Policy #46-951-136889
2 obtaining coverage for Gray Lands' wheat production for crop year 2016. In that
3 Acreage Report Defendant RICK T. GRAY certified to RCIS that all wheat to be
4 harvested by Gray Land in 2016 would be insured and that there was to be no
5 uninsured 2016 wheat production. The data in that Acreage Report was transmitted to
6 RCIS through the interstate wires from the Eastern District of Washington.

7 65. On or between June 28, 2016, and August 8, 2016, Defendant RICK T.
8 GRAY, acting on behalf of Gray Land and Livestock LLC, caused notices of loss to
9 be submitted to RCIS for crop year 2016 on MPCI Policy #46-951-136889. The data
10 in those notices of los were transmitted to RCIS through the interstate wires from the
11 Eastern District of Washington.

12 66. On or about October 13, 2016, as part of the loss adjustment process
13 under MPCI Policy #46-951-136889, crop year 2016, for Gray Land and Livestock
14 LLC, Defendant RICK T. GRAY falsely and fraudulently represented to RCIS on a
15 production worksheet that all insured wheat harvested in 2016 for Gray Land was sold
16 to Horse Heaven Grain LLC and Mid Columbia Producers Inc. and that there was no
17 "home stored" wheat production. The data in that production worksheet was
18 transmitted to RCIS through the interstate wires from the Eastern District of
19 Washington.

20 67. In fact, contrary to his false and fraudulent representations to RCIS for
21 crop year 2016 on MPCI Policy #46-951-136889, Defendant RICK T. GRAY had,
22 through various entities he owned or controlled, over 26,000 bushels of stored wheat
23 production.

24 68. Further, contrary to his false and fraudulent representations to RCIS for
25 crop year 2016 on MPCI Policy #46-951-136889, Defendant RICK T. GRAY, sold
26 and delivered over 17,000 bushels of hidden and undisclosed wheat to Tri Cities
27 Granary between approximately June 20, 2016 and November 29, 2016, under the
28 name "RT Farms."

1 69. On October 17, 2016, RCIS notified Defendant RICK T. GRAY that it
 2 was denying the loss claim for crop year 2016 on MPCI Policy #46-951-136889
 3 because Defendant RICK T. GRAY had “failed to provide a complete harvesting,
 4 production, and marketing record,” as required under Section 14 of the Basic
 5 Provisions of MPCI Policy #46-951-136889. RCIS further notified Defendant RICK
 6 T. GRAY at that time that pursuant to its standard reinsurance agreement with USDA
 7 RMA, that based on RCIS’ “discovery of unreported wheat production,” it had
 8 reported Defendant RICK T. GRAY’s insurance claim to USDA RMA’s Western
 9 Regional Compliance Office.

10 70. On or about March 6, 2017, USDA RMA notified Defendant RICK T.
 11 GRAY that he and his company, Gray Land and Livestock LLC, were ineligible to
 12 obtain federally reinsured crop insurance based on failure to pay premiums.

13 71. On or about February 28, 2019, one of Defendant RICK T. GRAY’s
 14 companies, Gray Land and Livestock LLC., declared bankruptcy in the Eastern
 15 District of Washington. Columbia State Bank is a creditor of Gray Land and
 16 Livestock LLC with multiple unpaid claims in the bankruptcy proceeding totaling
 17 over \$3.5 million for credit extended to Gray Land and Livestock LLC’s farming
 18 operations starting as early as June of 2013.

19 **VI. FALSE CLAIMS SUBMITTED AND CAUSED TO BE**
 20 **SUBMITTED BY DEFENDANTS**

21 72. As described, and discussed above in paragraphs 1 through 71, the
 22 following false and fraudulent claim for payment was knowingly submitted and
 23 caused to be submitted by Defendant RICK T. GRAY and Defendant GRAY FARMS
 24 & CATTLE CO. LLC to the USDA in violation of 31 U.S.C. § 3729(a)(1)(A):

- 25 - RCIS claim for reinsurance in the amount of \$94,353.00, for crop year 2015
 26 on MPCI Policy #46-951-989150, submitted to the USDA on October 2,
 27 2015, and paid by the USDA, through the FCIC, on October 2, 2015, in the
 28 amount of \$94,353.00.

1 73. As described, and discussed above in paragraphs 1 through 71, the
 2 following false and fraudulent claim for payment was knowingly submitted and
 3 caused to be submitted by Defendant RICK T. GRAY to the USDA in violation of 31
 4 U.S.C. § 3729(a)(1)(A):

- 5 - RCIS claim for reinsurance in the amount of \$384,453.00, for crop year
 6 2015 on MPCI Policy #46-951-136889, submitted to the USDA on October
 7 8, 2015, and paid by the USDA, through the FCIC, on October 8, 2015, in
 8 the amount of \$384,453.00.

9 **VII. FALSE RECORDS OR STATEMENTS KNOWINGLY MADE,
 10 USED, AND CAUSED TO MADE AND USED BY DEFENDANTS
 11 IN VIOLATION OF THE FALSE CLAIMS ACT**

12 74. As described, and discussed above in paragraphs 1 through 71, the
 13 following record or statement was knowingly made, used, and caused to made and
 14 used by Defendant RICK T. GRAY and Defendant GRAY FARMS & CATTLE CO.
 15 LLC, and was material to the corresponding false or fraudulent claim for payment to
 16 the USDA, in violation of 31 U.S.C. § 3729(a)(1)(B):

Record/Statement	Corresponding False Claim
17 Production Worksheet for crop year 18 2015, MPCI Policy #46-951-989150, 19 dated September 30, 2015, certified 20 by Defendant RICK T. GRAY falsely 21 and fraudulently representing, <i>inter</i> 22 <i>alia</i> , that all wheat production for 23 Gray Farms & Cattle Co, LLC was 24 delivered and sold to Horse Heaven 25 Grain LLC.	26 RCIS claim for reinsurance in the 27 amount of \$94,353.00, for crop year 28 2015 on MPCI Policy #46-951- 29 989150, submitted to the USDA on 30 October 2, 2015, and paid by the 31 USDA, through the FCIC, on 32 October 2, 2015, in the amount of 33 \$94,353.00.

27 75. As described, and discussed above in paragraphs 1 through 71, the
 28 UNITED STATES' COMPLAINT - 24

1 following record or statement was knowingly made, used, and caused to made and
 2 used by Defendant RICK T. GRAY and was material to the corresponding false or
 3 fraudulent claim for payment to the USDA, in violation of 31 U.S.C. § 3729(a)(1)(B):

Record/Statement	Corresponding False Claim
5 Production Worksheet for crop year 6 2015, MPCI Policy #46-951-136889, 7 dated September 30, 2015, certified 8 by Defendant RICK T. GRAY falsely 9 and fraudulently representing, <i>inter</i> 10 <i>alia</i> , that all wheat production for 11 Gray Land and Livestock, LLC was 12 delivered and sold to Horse Heaven 13 Grain LLC.	RCIS claim for reinsurance in the amount of \$384,453.00, for crop year 2015 on MPCI Policy #46-951- 136889, submitted to the USDA on October 8, 2015, and paid by the USDA, through the FCIC, on October 8, 2015, in the amount of \$384,453.00

VIII. FALSE RECORDS OR STATEMENTS KNOWINGLY MADE IN VIOLATION OF THE FINANCIAL INSTITUTIONS REFORM AND RECOVERY ENFORCEMENT ACT (FIRREA)

18 76. Beginning at a date unknown, but by at least April 30, 2015, and
 19 continuing at least through February 28, 2019, Defendants RICK T. GRAY and
 20 GRAY FARMS & CATTLE CO. LLC., within the Eastern District of Washington
 21 and elsewhere, as described more fully in parags 1 through 71, engaged in a scheme
 22 to defraud in violation of 18 U.S.C. § 1014; 18 U.S.C. § 1341; 18 U.S.C. § 1343;
 23 and/or 18 U.S.C. § 1344(2), all in violation of 12 U.S.C. § 1833a.

A. Defendants' Violations of 18 U.S.C. § 1014, Making False Statements and Reports Influencing the FCIC

26 77. Beginning at a date unknown, but by at least April 30, 2015, and
 27 continuing at least through February 28, 2019, Defendants RICK T. GRAY and
 28 GRAY FARMS & CATTLE CO. LLC., within the Eastern District of Washington
 UNITED STATES' COMPLAINT - 25

1 and elsewhere, as described more fully in paragraphs 1 through 71, knowingly made false
2 statements and reports for the purpose of influencing, in any way, the Federal Crop
3 Insurance Corporation or a company it reinsures, here RCIS, including upon the
4 following application in violation of 12 U.S.C. § 1833a(c)(1) and 18 U.S.C. § 1014:

- 5 a. Production Worksheet for crop year 2015, MPCI Policy #46-951-
6 989150, dated September 30, 2015, certified by Defendant RICK T.
7 GRAY falsely and fraudulently representing, *inter alia*, that all wheat
8 production for Defendant GRAY FARMS was delivered and sold to
9 Horse Heaven Grain LLC.

10 78. Beginning at a date unknown, but by at least April 30, 2015, and
11 continuing at least through February 28, 2019, Defendant RICK T. GRAY, within the
12 Eastern District of Washington and elsewhere, as described more fully in paragraphs 1
13 through 71, knowingly made false statements and reports for the purpose of
14 influencing, in any way, the Federal Crop Insurance Corporation or a company it
15 reinsurance, here RCIS, including upon the following applications in violation of 12
16 U.S.C. § 1833a(c)(1) and 18 U.S.C. § 1014:

- 17 a. Production Worksheet for crop year 2015, MPCI Policy #46-951-
18 136889, dated September 30, 2015, certified by Defendant RICK T.
19 GRAY falsely and fraudulently representing, *inter alia*, that all wheat
20 production for Gray Land and Livestock, LLC was delivered and sold
21 to Horse Heaven Grain LLC; and
- 22 b. Production Worksheet for crop year 2016, MPCI Policy #46-951-
23 136889, dated October 13, 2016, certified by Defendant RICK T.
24 GRAY falsely and fraudulently representing, *inter alia*, that all wheat
25 production for Gray Land and Livestock, LLC was delivered and sold
26 to Horse Heaven Grain LLC and Mid Columbia Producers and that
27 Defendant RICK T. GRAY had no “home stored” wheat production.

1 **B. Defendants' Violations of 18 U.S.C. §§ 1341 & 1343, Mail and**
2 **Wire Fraud**

3 79. Beginning at a date unknown, but by at least April 30, 2015, and
4 continuing at least through February 28, 2019, Defendants RICK T. GRAY and
5 GRAY FARMS & CATTLE CO. LLC., within the Eastern District of Washington
6 and elsewhere, as described more fully in parags 1 through 71, knowingly and with
7 the intent to defraud, devised, participated in, and executed a scheme to defraud the
8 United States Department of Agriculture, the Federal Crop Insurance Corporation, and
9 approved insurance provider Rural Community Insurance Company, also known as
10 Rural Community Insurance Services, (herein "RCIS"), of federally reinsured crop
11 insurance loss indemnity payments, by means of material false and fraudulent
12 pretenses, representations, and promises and the concealment of material facts.

13 80. For purposes of executing this scheme to defraud, the Defendants, RICK
14 T. GRAY and GRAY FARMS & CATTLE CO. LLC, deposited and caused to be
15 deposited correspondence for delivery by the United States Postal Service or a private
16 or commercial interstate carrier, and transmitted and caused to be transmitted writings
17 by means of wire communications in interstate and foreign commerce. In particular,
18 under MPCI Policy #46-951-989150 and MPCI Policy #46-951-136889, the
19 Defendants, respectively, as insureds and/or acting on behalf of insureds, were
20 required to provide information to establish or modify coverage to their agent. This
21 information was captured on specific documents that were required to be provided in
22 accordance with the applicable basic provisions, crop provisions, special provisions
23 and procedures. Specifically, the insured and agent are required to sign the
24 application, production history, acreage report, and any power of attorney or
25 assignment of indemnity. The agent then enters all of this information into RCIS's
26 CIMax System. In the case of MPCI Policy #46-951-989150 and MPCI Policy #46-
27 951-136889 for crop years 2015 and 2016, this process resulted in the transmission of
28 the information on all applications, production histories, acreage reports, and
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1 assignments of indemnity, from Washington State to RCIS, headquartered in Anoka,
2 MN, by use of the interstate wires.

3 81. Regarding loss claims by the insured, the agent enters that information
4 into the RCIS Notice of Loss System, which, in the case of MPCI Policy #46-951-
5 989150 and MPCI Policy #46-951-136889 for crop years 2015 and 2016, resulted in
6 the transfer of that information from Washington State to RCIS, headquartered in
7 Anoka, MN, by use of the interstate wires. RCIS transmits, through the interstate
8 wires, the data in CIMax and its Notice of Loss System to RMA according to the
9 Standard Reinsurance Agreement (SRA) Appendix III PASS requirements applicable
10 for the given reinsurance year. In the event of a loss claim, upon receipt of a notice of
11 loss in the RCIS Notice of Loss System, the claim documents, including production
12 worksheets, are signed and the claim data is captured in RCIS's claim systems and
13 also transmitted to RMA according to the SRA Appendix III PASS requirements,
14 using the interstate wires. RCIS submits its claims for reinsurance to the USDA
15 through the interstate wires. Regarding the payments of reinsurance by the USDA to
16 RCIS, the disbursement of funds via electronic funds transfer (EFT) is made using the
17 interstate wires from New York to RCIS in Minnesota.

18 82. Regarding indemnity payments, the indemnity check and summary of
19 loss is provided to the insured by RCIS. The loss indemnity checks provided by RCIS
20 for crop year 2015 on MPCI Policy #46-951-989150 and MPCI Policy #46-951-
21 136889 were sent from RCIS's headquarters in Anoka, MN, to Washington State
22 using the United States Postal Service or a private or commercial interstate carrier.

23 83. In fraudulently obtaining hundreds of thousands of dollars in federally
24 reinsured crop insurance indemnities, Defendants RICK T. GRAY and GRAY
25 FARMS & CATTLE CO. LLC deceived at least one financial institution that had
26 extended credit to Defendant GRAY FARMS and/or to Defendant RICK T. GRAY
27 and/or other entities he owned and/or controlled, including Gray Land and Livestock
28 LLC., into believing that these debtors were and continued to be credit worthy and
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were not basing hundreds of thousands of dollars in revenue on an ongoing scheme to defraud the USDA and its approved insurance provider RCIS. This deception was material to the financial institution. Specifically, Columbia State Bank had extended over \$3.5 million of credit to Defendant RICK T. GRAY's company, Gray Land and Livestock LLC, prior to the detection in 2016 of the fraud scheme detailed herein. Subsequently, on March 6, 2017, USDA RMA notified Defendant RICK T. GRAY that both he and his company, Gray Land and Livestock LLC, were ineligible to obtain federally reinsured crop insurance and subsequent to that, on February 28, 2019, Defendant RICK T. GRAY caused Gray Land and Livestock LLC to file for bankruptcy in U.S. Bankruptcy Court for the Eastern District of Washington. The bankruptcy filing left Columbia State Bank, one of Gray Land and Livestock LLC's creditors, with a claim in bankruptcy, rather than full and timely payments, for over \$3.5 million.

84. Accordingly, for the purpose of executing the scheme to defraud, the Defendants RICK T. GRAY and GRAY FARMS & CATTLE CO. LLC, deposited and caused to be deposited materials for delivery by the United States Postal Service or a private or commercial interstate carrier, and transmitted and caused to be transmitted writings by means of wire communications in interstate and foreign commerce, affecting at least one federally insured financial institution, Columbia State Bank, in violation of 18 U.S.C. 1341, Mail Fraud, and/or 18 U.S.C. § 1343, Wire Fraud, all in violation of 12 U.S.C. § 1833a(c)(2). Examples include, but are not limited, to the following:

On or about	Defendant(s)	Description	Mailing or Use of Interstate Wires
4/30/15	RICK T. GRAY	Acreage Report data for MPCI Policy #46-951-136889 obtaining coverage for Gray	RCIS CIMax System via the interstate wires.

		Lands' wheat production for crop year 2015.	
7/15/15	RICK T. GRAY and GRAY FARMS	Acreage Report data for MPCI Policy #46-951-989150 obtaining coverage for Defendant GRAY FARMS' wheat production for crop year 2015.	RCIS CIMax System via the interstate wires.
7/21/15	RICK T. GRAY and GRAY FARMS	Notice of Loss for crop year 2015 under MPCI Policy #46-951-989150.	RCIS Notice of Loss System via the interstate wires.
7/21/15	RICK T. GRAY	Notice of Loss for crop year 2015 under MPCI Policy #46-951-136889.	RCIS Notice of Loss System via the interstate wires.
9/21/15	RICK T. GRAY and GRAY FARMS	RCIS Transfer of Coverage and Right to an Indemnity form data.	RCIS CIMax System via the interstate wires.
9/30/15	RICK T. GRAY and GRAY FARMS	Production Worksheet for crop year 2015, MPCI Policy #46-951-989150, dated September 30, 2015, certified by Defendant RICK T. GRAY falsely and fraudulently representing, <i>inter alia</i> , that all wheat production for	RCIS Notice of Loss System and/or RCIS CIMax System via the interstate wires.

1		Defendant GRAY FARMS was delivered and sold to Horse Heaven Grain LLC		
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4	9/30/15	RICK T. GRAY	Production Worksheet for crop year 2015, MPCI Policy #46- 951-136889, dated September 30, 2015, certified by Defendant RICK T. GRAY falsely and fraudulently representing, <i>inter alia</i> , that all wheat production for Gray Land and Livestock, LLC was delivered and sold to Horse Heaven Grain LLC	RCIS Notice of Loss System and/or RCIS CIMax System via the interstate wires.
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15	10/1/15	RICK T. GRAY and GRAY FARMS	RCIS Check No. 02053442 in the amount of \$94,353.00 for Claim No. 2254807 on MPCI Policy #48-951-989150, Crop Year 2015.	Sent from RCIS's headquarters in Anoka, MN, to Washington State using the United States Postal Service or a private or commercial interstate carrier.
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23	10/2/15	RICK T. GRAY and GRAY FARMS	RCIS claim for reinsurance in the amount of \$94,353.00, for crop year 2015 on MPCI Policy #46-951-989150, submitted to the USDA	RCIS submission to USDA via the interstate wires.
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1 2 3 4 5	10/2/15	RICK T. GRAY and GRAY FARMS	USDA reinsurance payment to RCIS, in the amount of \$94,353.00, for crop year 2015 on MPCI Policy #46-951- 989150.	EFT from USDA to RCIS via the interstate wires.
6 7 8 9 10 11 12 13	10/7/15	RICK T. GRAY	RCIS Check No. 02054739 in the amount of \$384,453.00 for Claim No. 2258517 on MPCI Policy #46-951-136889, Crop Year 2015.	Sent from RCIS's headquarters in Anoka, MN, to Washington State using the United States Postal Service or a private or commercial interstate carrier.
14 15 16 17 18	10/8/15	RICK T. GRAY	RCIS claim for reinsurance in the amount of \$384,453.00, for crop year 2015 on MPCI Policy #46-951-136889, submitted to the USDA.	RCIS submission to USDA via the interstate wires.
19 20 21 22 23	10/8/15	RICK T. GRAY	USDA reinsurance payment to RCIS, in the amount of \$384,453.00, for crop year 2015 on MPCI Policy #46- 951-136889.	EFT from USDA to RCIS via the interstate wires.
24 25 26 27 28	7/15/16	RICK T. GRAY	Acreage Report data for MPCI Policy #46-951-136889 obtaining coverage for Gray	RCIS CIMax System via the interstate wires.

		Lands' wheat production for crop year 2016	
Between 6/28/16 and 8/8/16	RICK T. GRAY	Notices of Loss for crop year 2016 on MPCI Policy #46-951-136889.	RCIS Notice of Loss System via the interstate wires.
10/13/16	RICK T. GRAY	Production Worksheet for crop year 2016, MPCI Policy #46-951-136889, dated October 13, 2016, certified by Defendant RICK T. GRAY falsely and fraudulently representing, <i>inter alia</i> , that all wheat production for Gray Land and Livestock, LLC was delivered and sold to Horse Heaven Grain LLC and Mid Columbia Producers and that Defendant RICK T. GRAY had no "home stored" wheat production	RCIS Notice of Loss System and/or RCIS CIMax System

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23 **C. Defendants' Violation of 18 U.S.C. § 1344(2), Bank Fraud**

24 85. Beginning on a date unknown but by at least April 30, 2015, and
 25 continuing through February 28, 2019, the Defendants RICK T. GRAY and GRAY
 26 FARMS & CATTLE CO. LLC, within the Eastern District of Washington and
 27 elsewhere, as described more fully in paragraphs 1 through 71, knowingly and with
 28 intent to defraud, carried out a scheme or plan to obtain money or property from
 UNITED STATES' COMPLAINT - 33

Columbia State Bank, a federally insured financial institution, by making false statements or promises, which the defendants knew were false and which were material.

86. For purposes of executing this scheme to defraud, the Defendants, RICK T. GRAY and GRAY FARMS & CATTLE CO. LLC, on or about September 21, 2015, fraudulently attempted to transfer all rights to any indemnity under MPCI Policy #46-951-989150 for crop year 2015 from Defendant GRAY FARMS, to Defendant RICK T. GRAY's company, Gray Land & Livestock LLC, through an RCIS Transfer of Coverage and Right to an Indemnity form which Defendant RICK T. GRAY and Defendant GRAY FARMS caused to be falsely and fraudulently backdated to January 1, 2015, a date prior to the previous and valid transfer of indemnity rights under MPCI Policy #46-951-989150 to Columbia State Bank, and which information was submitted to RCIS and had the natural tendency to influence and was capable of influencing RCIS, and therefore Columbia State Bank, to part with any loss indemnity amount or portion thereof paid under MPCI Policy #46-951-989150.

COUNT I
Violation of the False Claims Act
31 U.S.C. § 3729(a)(1)(A)

87. The United States repeats and realleges the allegations contained in Paragraphs 1 through 86 above, as if fully set forth herein.

88. Defendant RICK T. GRAY violated the False Claims Act, 31 U.S.C. § 3729(a)(1)(A) by knowingly presenting and causing to be presented to the USDA false and/or fraudulent claims for payment of reinsurance by the USDA to RCIS for the crop year 2015 indemnity payments made on MPCI Policy #46-951-136889 and MPCI Policy #46-951-989150.

89. Defendant GRAY FARMS & CATTLE CO. LLC violated the False Claims Act, 31 U.S.C. § 3729(a)(1)(A) by knowingly presenting and causing to be

presented to the USDA false and/or fraudulent claims for payment of reinsurance by the USDA to RCIS for the crop year 2015 indemnity payments made on MPCI Policy #46-951-989150.

90. The United States paid the false and/or fraudulent claims because of Defendants' acts, and incurred damages as a result.

91. Pursuant to 31 U.S.C. § 3729(a), Defendant RICK T. GRAY and Defendant GRAY FARMS & CATTLE CO. LLC are liable to the United States Government for a civil penalty for each violation of the False Claims Act committed by Defendants RICK T. GRAY and/or GRAY FARMS & CATTLE CO. LLC, respectively.

92. Pursuant to 31 U.S.C. § 3929(a), Defendants RICK T. GRAY and GRAY FARMS & CATTLE CO. LLC are jointly and severally liable to the United States for three times the amounts of all damages sustained by the United States because of the Defendants' conduct.

COUNT II
Violation of the False Claims Act
31 U.S.C. § 3729(a)(1)(B)

93. The United States repeats and realleges the allegations contained in Paragraphs 1 through 86 above, as if fully set forth herein.

94. Defendants RICK T. GRAY and GRAY FARMS & CATTLE CO. LLC violated the False Claims Act, 31 U.S.C. § 3729(a)(1)(B) by knowingly making, using, or causing to be made or used, false records or statements that were material to false or fraudulent claims for payment to the USDA, and which claims the United States did pay.

95. The United States paid the false and/or fraudulent claims because of the Defendants' acts, and incurred damages as a result.

96. Pursuant to 31 U.S.C. § 3729(a), the Defendants are liable to the United States Government for a civil penalty for each violation of the False Claims Act

committed by Defendant RICK T. GRAY and/or Defendant GRAY FARMS & CATTLE CO. LLC, respectively.

97. Pursuant to 31 U.S.C. § 3929(a), the Defendants are jointly and severally liable to the United States for three times the amounts of all damages sustained by the United States because of the Defendants' conduct.

COUNT III
Violation of FIRREA
False Applications to the FCIC
12 U.S.C. § 1833a
18 U.S.C. § 1014

98. The United States repeats and realleges the allegations contained in Paragraphs 1 through 86 above, as if fully set forth herein.

99. Each execution and/or attempted execution by or caused by Defendant RICK T. GRAY and/or Defendant GRAY FARMS & CATTLE CO. LLC, by means of knowingly making false statements and/or reports for the purpose of influencing, in any way, the Federal Crop Insurance Corporation or a company it reinsures, here RCIS, as set forth in paragraphs 77 and 78, constitutes a separate violation of 18 U.S.C. § 1014 and, therefore, 12 U.S.C. § 1833a(c)(1). For each such violation, pursuant to 12 U.S.C. § 1833a(b)(1), (2), (3); 28 C.F.R. § 83.5 and/or 28 C.F.R. § 85.5, the United States is entitled, and seeks, to recover a civil money penalty against the defendants in an amount to be assessed by the Court.

COUNT IV
Violation of FIRREA
Mail Fraud
12 U.S.C. § 1833a
18 U.S.C. § 1341

100. The United States repeats and realleges the allegations contained in paragraphs 1 through 86, as if fully set forth herein.

101. Each deposit of an item for delivery by the United States Postal Service

or a private or commercial interstate carrier by or caused by Defendant RICK T. GRAY and/or Defendant GRAY FARMS & CATTLE CO. LLC, for the purpose of executing the scheme to defraud and to obtain money by means of false and fraudulent representations described in paragraphs 79 through 84 above, constitutes a separate violation of 18 U.S.C. § 1341. Each such violation that affected a federally insured financial institution constitutes a separate violation of 12 U.S.C. § 1833a(c)(2). For each such violation, pursuant to 12 U.S.C. § 1833a(b)(1), (2), (3); 28 C.F.R. § 83.5 and/or 28 C.F.R. § 85.5, the United States is entitled, and seeks, to recover a civil money penalty against the defendants in an amount to be assessed by the Court.

**COUNT V
Violation of FIRREA
Wire Fraud
12 U.S.C. § 1833a
18 U.S.C. § 1343**

102. The United States repeats and realleges the allegations contained in paragraphs 1 through 86, as if fully set forth herein.

103. Each transmission by or caused by Defendant RICK T. GRAY and/or Defendant GRAY FARMS & CATTLE CO. LLC, by means of wire communication in interstate and foreign commerce for the purpose of executing the scheme to defraud and to obtain money by means of false and fraudulent representations described in paragraphs 79 through 84 above, constitutes a separate violation of 18 U.S.C. § 1343. Each such violation that affected a federally insured financial institution constitutes a separate violation of 12 U.S.C. § 1833a(c)(2). For each such violation, pursuant to 12 U.S.C. § 1833a(b)(1), (2), (3); 28 C.F.R. § 83.5 and/or 28 C.F.R. § 85.5, the United States is entitled, and seeks, to recover a civil money penalty against the defendants in an amount to be assessed by the Court.

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**COUNT VI
Violation of FIRREA
Bank Fraud
12 U.S.C. § 1833a
18 U.S.C. § 1344(2)**

104. The United States repeats and realleges the allegations contained in paragraphs 1 through 86, as if fully set forth herein.

105. Each execution and/or attempted execution by or caused by Defendant RICK T. GRAY and/or Defendant GRAY FARMS & CATTLE CO. LLC for purposes of executing the scheme to obtain money owed by and under the custody and control of financial institutions by means of false and fraudulent representations set forth in paragraphs 85 and 86 above, constitutes a separate violation of 18 U.S.C. § 1344(2) and, therefore of 12 U.S.C. § 1833a(c)(1). For each such violation, pursuant to 12 U.S.C. § 1833a(b)(1), (2), (3); 28 C.F.R. § 83.5 and/or 28 C.F.R. § 85.5, the United States is entitled, and seeks, to recover a civil money penalty against the defendants in an amount to be assessed by the Court.

COUNT VII

For Unjust Enrichment

106. The United States repeats and realleges the allegations contained in paragraphs 1 through 86, as if fully set forth herein.

107. By receiving crop insurance indemnity payments, directly or indirectly through his company Gray Land and Livestock LLC., from RCIS for crop year 2015 on MPCI Policy #46-951-136889 and MPCI Policy #46-951-989150, in the total amount of at least \$540,028, to which he was not entitled due to his wrongful, improper, and corrupt conduct, and as such amount was reinsured by the USDA in the amount of at least \$540,028, Defendant RICK T GRAY has been unjustly enriched and is liable to repay such amounts to the United States.

108. By receiving crop insurance indemnity payments, directly or indirectly from RCIS for crop year 2015 on MPCI Policy #46-951-989150, in the total amount

1 of at least \$122,272, to which it was not entitled due to its wrongful, improper, and
2 corrupt conduct, and as such amount was reinsured by the USDA in the amount of at
3 least \$122,272, Defendant GRAY FARMS & CATTLE CO. LLC has been unjustly
4 enriched and is liable to repay such amounts to the United States.

5 **COUNT VIII**
6 **For Payment by Mistake**

7 109. The United States repeats and realleges the allegations contained in
8 paragraphs 1 through 86, as if fully set forth herein.

9 110. As a result of his conduct, Defendant RICK T. GRAY received
10 payments, directly or indirectly through his company Gray Land and Livestock, LLC,
11 from RCIS for crop year 2015 on MPCI Policy #46-951-136889 and MPCI Policy
12 #46-951-989150, which were reinsured in whole by the USDA and to which
13 Defendant RICK T. GRAY was not entitled and occurred as a result of mistake of
fact of the USDA.

14 111. The USDA relied upon its mistake in authorizing and approving payment
15 to RCIS.

16 112. Defendant RICK T. GRAY is liable to the United States for the
17 reinsurance amounts paid to RCIS by the United States as a result of this mistake.

18 113. As a result of its conduct, Defendant GRAY FARMS & CATTLE CO.
19 LLC received payments from RCIS for crop year 2015 on MPCI Policy #46-951-
20 989150, which were reinsured in whole by the USDA and to which Defendant GRAY
21 FARMS & CATTLE CO. LLC was not entitled and occurred as a result of mistake of
22 fact of the USDA.

23 114. The USDA relied upon its mistake in authorizing and approving payment
24 to RCIS.

25 115. Defendant GRAY FARMS & CATTLE CO. LLC is liable to the United
26 States for the reinsurance amounts paid to RCIS by the United States as a result of this
27 mistake.

PRAYER FOR RELIEF

1 116. Plaintiff the United States of America prays for judgment against the
2 Defendant, as follows:

3 A. As to Counts I and II under the False Claims Act, 31 U.S.C. §
4 3729(a), against Defendant RICK T. GRAY and Defendant GRAY FARMS &
5 CATTLE CO. LLC for treble the amount of the United States' single damages to be
6 proven at trial, plus civil penalties as are required by law per violation of the False
7 Claims Act, post-judgment interest, costs, and such other relief as may be necessary
8 and proper;

9 B. As to Count III, IV, V, and VI under FIRREA, 12 U.C.C. § 1833a,
10 civil penalties against Defendant RICK T. GRAY and Defendant GRAY FARMS &
11 CATTLE CO. LLC in the maximum amount authorized under 12 U.S.C. § 1833a, and
12 28 C.F.R. §§ 83.5 and 85.5, to be proven at trial, post-judgment interest, costs, and
13 such other relief as may be necessary and proper;

14 C. As to Count VII, unjust enrichment, against Defendant RICK T.
15 GRAY and Defendant GRAY FARMS & CATTLE CO. LLC for the sums by which
16 Defendant RICK T. GRAY and Defendant GRAY FARMS & CATTLE CO. LLC,
17 respectively, have been unjustly enriched, to be proven at trial, plus pre-judgment and
18 post-judgment interest, and costs;

19 D. As to Count VIII, payment by mistake, against Defendant RICK T.
20 GRAY and Defendant GRAY FARMS & CATTLE CO. LLC, respectively, for the
21 amounts paid to RCIS by mistake, to be proven at trial, plus pre-judgment and post-
22 judgment interest, and costs; and

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1 E. Such other relief as the Court deems just, necessary, and proper.
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4 The United States demands a trial by jury as to all issues so triable.
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7 Respectfully Submitted this 28th day of September, 2021,
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10 Joseph H. Harrington
11 Acting United States Attorney
12

13 

14 _____
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